

Message Text

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PAGE 01 LUSAKA 00759 251514Z

43

ACTION XMB-07

INFO OCT-01 AF-10 EUR-25 ISO-00 EB-11 COME-00 TRSE-00

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R 251209Z APR 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 0050

INFO AMEMBASSY BONN

AMEMBASSY BELGRADE

C O N F I D E N T I A L LUSAKA 0759

PASS EXIM BANK FOR KOBELINSKI

EO 11652: GDS

TAGS: EFIN, EIND, ZA, US

SUBJECT: IRON AND STEEL MILL FOR ZAMBIA

REF: LUSAKA 40

1. GERMAN EMBASSY (BARTH, FIRST SECRETARY) NOTIFIED US APRIL 23 THAT FRG HAD APPROVED CREDIT GUARANTEE TO PERMIT DEMAG TO PARTICIPATE IN UNIP AND ENERGOPROJEKT-INSPIRED IRON AND STEEL PROJECT AT CHISASA, NORTHWESTERN PROVINCE. APPROVAL FOLLOWED MEETING IN BONN FEBRUARY 8 BETWEEN FRG AND LISHOMWA LISHOMWA (PRESIDENT KAUNDA'S ECONOMIC ADVISOR), A MR. LISULO (PROBABLY DANIEL LISULO, LAYER AND UNIP CENTRAL COMMITTEE MEMBER), AND ZAMBIAN AMBASSADOR TO FRG. WEST GERMAN EQUIVALENT OF GEOLOGICAL SURVEY IS ALSO SAID TO HAVE GIVEN ITS "RELUCTANT" BLESSING.

2. BARTH SAID HIS EMBASSY'S NOTE TO GRZ ADVISING OF CREDIT APPROVAL SPECIFICALLY DECLARED FRG'S UNDERSTANDING THAT NECESSARY INFRASTRUCTURE FOR PROJECT EXISTED, AND THAT NAPHTHS WOULD BE AVAILABLE AT "REASONABLE" PRICES, THAT IRON ORE DEPOSITS WERE SUFFICIENT, AND THAT ADDITIONAL EXPLORATION WOULD BE UNDERTAKEN. ACCORDING BARTH, LISHOMWA GAVE GRZ REPAYMENT GUARANTEE, PRESUMABLY IN WRITING, THOUGH BARTH NOT CLEAR

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LUSAKA 00759 251514Z

ON THAT POINT.

3. BARTH UNDERSTOOD SWINDELL-DRESSLER WOULD BE PARTICIPATING IN PROJECT WITH OR WITHOUT EXIM GUARANTEE. GHIH-LEVEL SWINDELL-DRESSLER EXECUTIVE REPORTEDLY VISITED ZAMBIA IN MARCH TO FINALIZE DEAL.

4. COMMENT: PROJECT IS BASICALLY POLITICALLY INSPIRED AND BACKED BY TENANCIOUS PROPONENTS. ECONOMIC FEASIBILITY AT CHOSEN LOCATION AND WITH PROCESSES ENVISIONED HAS BEEN QUESTIONED LOCALLY BY ABLE TECHNICIANS AND USG AGENCIES SHOULD CONTINUE TO USE CAUTION. LEADING PROPONENT IS CHAIRMAN OF CENTRAL COMMITTEE SUB-COMMITTEE ON ECONOMICS AND FINANCE AND FORMER MIN MINES MULEMBA WHO SEEMS BE UNDER SOME POLITICAL CLOUD FOR MOMENT; YET THIS PROJECT STRONGLY ENDORSED BY STATE HOUSE WHICH EXPLAINS ROLE OF LISHOMWA. PRESENT MIN MINES KASHITA AND MIN PLANNING AND FINANCE CHIKWANDA MAY NOT YET BE ON BOARD WITH PROJECT AND MAY EVEN REPRESENT MINORITY OPPOSITION, HAVING MADE IT CLEAR TO US AND EXIM REPS EARLIER THIS YEAR THAT CHISASA MUST STAND TEST OF NEW FEASIBILITY STUDY (LUSAKA 197). REMAINS TO BE SEEN WHETHER STATE HOUSE INTENDS STEAM ROLL PROJECT THROUGH OVER LIKELY OBJECTIONS OF TECHNICIANS.

5. IF PROJECT INDEED NOW GOING FORWARD, PRESUMABLY EXIM WILL AGAIN BE APPROACHED AT SOME POINT IN CONNECTION WITH POSSIBLE SWINDELL-DRESSLER PARTICIPATION. WOULD APPRECIATE BEING INFORMED PROMPTLY. WE WILL CONTINUE LOCAL SOUNDINGS ON ATTITUDES AS WELL AS RAISE MATTER WITH IRA HUFF, PRESIDENT OF TORKELSON, WHO REPORTS TO SWINDELL-DRESSLER AND WHO WILL BE PARTICIPANT IN FORTHCOMING MINING EQUIPMENT TRADE MISSION MAY 1-7.

6. FOR BONN: FRG APPROVAL OF CREDIT GUARANTEE REFLECTS REVERSAL OF WHAT WE HAD UNDERSTOOD TO BE EARLIER NEGATIVE GERMAN ATTITUDE TOWARD MERITS OF CHISASA (LUSAKA 40); REASON FOR REVERSAL UNKNOWN TO US. WOULD APPRECIATE ANY INSIGHTS BONN ABLE DEVELOP.
WILKOWSKI

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Message Attributes

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